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This working paper was written for the EDC 2020 research programme which is funded by the European Commission. The author's research on Chinese and European engagement in Africa is part of a research project on "European Policy for Global Development" at the German Development Institute and feeds into a doctoral thesis. Empirical data on Chinese and European policies towards Ethiopia and Angola were collected during field trips to Ethiopia in October 2009 and December 2010 and to Angola in November 2009.

The author wishes to thank Prof. Dr. Tanja A. Börzel, Prof. Dr. Dirk Messner, Dr. Sven Grimm, Dr. Mark Furness and Davina Makhan for their comments on earlier drafts of this paper and thanks Dr. Erik Lundsgaarde for his support in the final stages of the paper. The author alone is responsible for any shortcomings in the paper.

European Good Governance Policies Meet China in Africa:

Insights from Angola and Ethiopia

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February 2011

Summary

Chinese engagement in Africa with ‘no strings attached’ has been blamed for reducing the effectiveness of traditional actors’ policies of promoting democracy, human rights and good governance. Using the example of Angola and Ethiopia, the paper analyses how Chinese engagement influences the effectiveness of the European Commission’s policies to promote good governance. While the paper argues that the EC’s policies of promoting good governance face considerable difficulties in both countries, the findings suggest that China’s activities have little to no immediate negative consequences for the EC’s policies of promoting good governance. Although the EC and China indeed have different objectives and set up different instruments of engagement, in practise their policies in Angola and Ethiopia have few points of contact and do not conflict directly, since they engage mostly in different policy fields. Effects of Chinese policies for the effectiveness of the EC’s policies of promoting good governance therefore might not be the greatest challenge for the EC stemming from Chinese engagement in Africa. Rather, Chinese engagement reveals more clearly the gap between normative aspirations in European rhetoric on the one hand and the quality of concrete EC interventions on the other.

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List of Acronyms

ACP	African, Caribbean and Pacific Group of States
CCP	Chinese Communist Party
CIF	China International Fund
EC	European Commission
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
EPRDF	Ethiopian People's Revolutionary Democratic Front
EU	European Union
EXIM Bank	Chinese Export Import Bank
FOCAC	Forum of China-Africa Cooperation
GAP	Governance Action Plan (part of the Governance Incentive Tranche)
GDP	Gross Domestic Product
GIT	Governance Incentive Tranche
GNI	Gross National Income
IDA	International Development Association (The World Bank)
IMF	International Monetary Fund
MPLA	The People's Movement for the Liberation of Angola - Labour Party
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
OECD DAC	Development Assistance Committee of the Organisation for Economic Cooperation and Development
PBS	Protection of Basic Services (assistance programme in Ethiopia)

1. Introduction

Over the last 20 years, governance has become an increasingly central issue in development cooperation. After the end of the cold war, Africa and other developing regions lost their geo-strategic importance, clearing the way for the advance of the governance agenda. Critiques of structural adjustment programmes opened calls for a more prominent role of the state. Many bilateral and multilateral donors came to the conclusion that good governance was closely linked to economic development, constituting not only an outcome of but also a precondition for development. While different donors emphasise different aspects of good governance and have elaborated different instruments to promote it, a widespread consensus has emerged about the overall relevance of good governance (cf. Seifert 2009).

During the last few years, the international context in which traditional donors seek to promote good governance has changed rapidly. Emerging powers – China being the most prominent but not the only one – have strengthened their trade, investment and aid relationships with other developing countries, potentially reducing the possibilities of traditional donors to put pressure and set incentives in order to trigger governance reforms. The emerging powers not only provide additional resources to other developing countries but highlight at the same time that – in contrast to traditional donors – they do not make provisions on how other developing countries should organise their political and economic reforms. The development paths of authoritarian countries such as China are themselves closely observed by and increasingly attractive for some Southern elites (Diamond 2008; Youngs 2008), even more so in light of the financial and economic crisis that shuttered particularly Western liberal economies.

For the European Union and the European Commission (EC) more specifically, this development is most relevant with regard to its policies of promoting good governance in Africa and the consequences of China's increasing engagement in Africa. Similar to other traditional donors, support for good governance has become an increasingly prominent concept in European policy papers on Africa and joint EU-Africa documents. The EC and EU member states have all introduced specific instruments to promote good governance in African countries, ranging from positive and negative conditionality to financial and technical assistance and political dialogue. The effectiveness of these instruments as well as the influence of overall European policies on African governance structures has been controversially discussed (cf. Olsen 1998; Brautigam 2000; Brown 2005; Crawford 2007). Recent reforms of European development policy and overall European policy toward Africa have aimed to improve the effectiveness of these policies.

With China's increasing engagement in Africa, the context for European Africa policies is transforming rapidly. While African countries need more assistance and financial support for their development and to reach the Millennium Development Goals, many commentators in Europe suspect that Chinese engagement could undermine efforts of European and other donors to improve governance structures in African countries. In discussions that take place in European media, policy circles and increasingly in scientific debates three major lines of argument are generally put forward.

First, Chinese engagement with “no strings attached” is criticised for reducing the possibility of European and other traditional donors to set incentives and put pressure on African governments in order to improve governance structures. The Chinese government provides considerable amounts of additional resources to many African countries regardless of their political regimes. For instance, Sino-African trade increased sharply since 2000; Chinese investments, loans and to a lesser extent also development assistance grew constantly over the last 10 years. In several countries, China thereby became one of the most important economic partners. Second, concern has been raised that the attractiveness of a European development model is increasingly under pressure: many African elites seem to be fascinated by China’s impressive economic performance and relative stability without democratisation. In light of China’s performance during the financial and economic crisis, the attractiveness of China’s ‘model’ probably further increased. Third, China’s way of engaging with African countries and providing assistance is perceived by some Europeans as a competing approach to the EU and the West more broadly. Engaging in a discourse on ‘South-South cooperation’, the Chinese government seems to present itself to African interlocutors as an alternative partner.

Up to now, this debate has hardly been substantiated by a structured analysis and empirical data. In order to make a contribution in this regard, the paper analyses how Chinese state engagement in Africa has affected the implementation of the European Commission’s policies of promoting good governance. The question will be discussed using Angola and Ethiopia as case studies and focussing on the European Commission as one key actor in European development policy. The objective is not to look into normative debates and question if the EC ‘should’ promote good governance. Taking it as a given that the EC has set up instruments to promote good governance, the question is if Chinese state engagement has an impact on them.

After an analysis of the EC’s policies of supporting good governance and the Chinese approach towards African countries, the paper will compare China’s and the EC’s engagement in Angola and Ethiopia before discussing in the conclusions whether Chinese engagement has negative consequences for the EC’s good governance policies.

2. European policies of supporting good governance meet China in Africa: conflicting objectives and instruments of engagement?

2.1 The European Commission's policies of supporting good governance in Africa: objectives, instruments and channels of engagement

The Cotonou Partnership Agreement and the EU-Africa joint strategic partnership constitute the most important legal frameworks for EU-Africa relations. While poverty reduction is presented in key documents as the main objective in EU-Africa relations, the respect for good governance is described as a precondition for sustainable and equitable development, for providing effective development assistance, as well as an objective in its own right. Since the introduction of the concept of good governance in EU-Africa relations in 1995 in the Lomé IV^{bis} Convention, the relevance of good governance in bilateral relations has increased substantially (cf. Beck and Conzelmann 2004).

Various donors emphasise different elements of good governance, adopting either a narrow understanding focussing on the functioning of the state administration, transparency, and the level of corruption, or adopting a broad understanding that includes also elements of democratic participation, human rights and the rule of law. The EU initially applied a narrow concept that separated good governance from human rights, democracy and rule of law and centred on the state as the major governance actor (Beck and Conzelmann 2004; Börzel, Pamuk et al. 2008). Over time, however, the European definition broadened and the EU started embracing also political elements of good governance, now rather speaking of "democratic" governance.[1] Even though the state is still seen as the key actor in providing collective goods and fostering sustainable development, the EU recognised the role of non-state actors in its relations with African countries in 2000 (cf. Carbone 2010).

Building on findings from Europeanisation and compliance research, Börzel, Pamuk et al. (2008) develop a framework to analyse European approaches to promote good governance in third countries. As part of this framework, the authors distinguish three instruments that the EU can apply to support good governance: *political dialogue* in order to "persuade" governments to introduce governance reforms; technical and financial *assistance* to support capacity and institution building; or negative and positive *conditionality* with a view to changing the cost-benefit rational of actors in the target country and setting incentives for

[1] In its Communication on "Governance and Development" (European Commission 2003), the EC employs the concept of good governance. In contrast, in 2006 in the Communication on "Governance in the European Consensus on Development: Towards a Harmonised Approach", the EC speaks predominantly of "democratic" governance.

reform. In addition, Börzel, Pamuk et al. (2008) distinguish two channels through which the EU can support good governance: the EU can support good governance targeting the government or channelling funds through non-state actors.

In its relations with African countries, the European Union can make use of all three instruments. Under the Cotonou agreement, the EU and ACP countries agreed to regularly engage in political dialogue (Art. 8). The EC has established various modalities to use parts of the development assistance provided under the European Development Fund (EDF) for institution and capacity building in order to improve the governance situation in African countries. The EC can thereby for instance directly support justice reforms or engage in capacity building for parliaments. The EC can also mainstream support for good governance in its activities in various policy fields, for example in assistance to the transport sector. Beyond the EDF, the EC can use funds from other EU-budget lines such as the European Instrument for Democracy and Human Rights (EIDHR) for supporting democratic institutions and non-state actors. In addition, the Cotonou Agreement allows for setting incentives and applying sanctions in order to promote good governance. In case of serious violations of human rights, democratic principles or the rule of law, the EU can apply sanctions (Art. 96). The concept of good governance, codified as a 'fundamental element'[2] and a soft law in the Cotonou Agreement, does not directly allow for applying sanctions. However, the EU and ACP countries are bound to engage in political dialogue on good governance. The Cotonou Agreement also provides the EU with the possibility to link the allocation of development assistance to the governance situation in African countries, thereby giving birth to a de facto mechanism for sanctions in cases of 'bad governance' (Beck and Conzelmann 2004; Holden 2009). In addition, the EC has introduced elements of conditionality in its modalities of providing development assistance, for instance in the case of general budget support.

While the EC engages mainly with African governments and channels funds through governments, the role of non-state actors has been increasingly recognised since the signing of the Cotonou Agreement in 2000.

[2] The 'essential element' clause refers to the Vienna Convention for international agreements. In the event that one side of the contracting parties perceives that these 'essential elements' have been violated, it can interrupt or even stop the cooperation (cf. Beck and Conzelmann 2004).

Overview on EC instruments of supporting good governance in Sub-Sahara Africa

Type of instrument	Specific EC instruments towards African countries (selection)
Dialogue	- Political Dialogue under Art. 8 of the Cotonou Partnership Agreement
Technical and financial assistance	- EDF: different modalities to support capacities of government and non-state actors - EU budget lines outside the EDF: e.g. European Instrument for Democracy and Human Rights (EIDHR)
Positive/negative conditionality	- Good Governance as a 'fundamental element' in the Cotonou Partnership Agreement; democracy, human rights and rule of law as 'essential elements' - Under the EDF: Governance Incentive Tranche; General Budget Support

Whereas the EC in principle can make use of all three instruments for supporting good governance in African countries, it places emphasis on providing assistance, dialogue and incentives rather than negative conditionality and sanctions. This focus on assistance, dialogue and incentives has further been strengthened in recent years (cf. European Commission 2006; Carbone 2010). Revisions of the Cotonou agreement in 2005 and 2010 for instance partly aimed at strengthening political dialogue between the EU and African countries. The allocation of resources for financial and technical assistance to support good governance rose with the 10th European Development Fund. And new instruments such as the Governance Incentive Tranche (GIT) have been introduced in order to set incentives for reform and foster dialogue on governance reforms.

2.2 China's approach towards Africa: 'non-interference' and comprehensive 'package deals'

Chinese engagement with African countries differs fundamentally from European engagement, notably with regard to the objectives and political discourse as well as the instruments and modalities of engagement. The originality of China's Africa policy lies in the close and explicit linkage of different areas of external relations. Trade flows, development assistance, loans and investments and diplomatic initiatives often form comprehensive package deals. The Chinese government does not ask for political reforms in return for assistance and appears to be a much more pragmatic partner who is hardly motivated by altruism and charity – and does not claim to be (cf. Hackenesch 2009). Relations should instead be beneficial for both sides: "China is in Africa, above all, to solve its own internal problems, not Africa's problems. It is helping Africa in order to help itself" (Kitissou 2007).

The Chinese government does not embrace the promotion of good governance in its external relations. Conversely, the intervention in the domain of national sovereignty of third countries with a reference to international responsibility is rejected by the Chinese government. In this regard, 'non-interference' constitutes one of the fundamental principles of Chinese relations with third countries, taking a prominent role in policy documents and the discourse of Chinese officials (cf. Ministry of Foreign Affairs 2004). The Chinese government thereby promotes a traditional understanding of state sovereignty in its bilateral relations with third countries and in international relations more broadly (Deng 1998; Zhao 2004). All states are presented as equal members of the international system regardless of their domestic structures or political organisation.[3] Undoubtedly, the principle is informed by China's own desire that other countries should not interfere in its internal affairs and criticise China's human rights policy, for instance, which is understood by the Chinese government as an internal affair.

The relevance of the principle of non-interference in Chinese foreign policy discourses is much older than debates about good governance.[4] However, with China's growing weight in international relations and in light of the increasing relevance of good governance for bilateral relations between traditional donors and recipient countries, 'non-interference' gains additional importance, since China seems to present itself to African countries as an alternative to Western partners.

Economic cooperation plays an important role in Sino-African relations. Although the scope of Africa-China cooperation has been increasing rapidly for a decade now, China has probably taken an even stronger interest in Africa since the advent of the financial and economic crisis (cf. Humphrey 2010). Sino-Africa trade grew sharply since 2000. China is now Africa's second largest trading partner after the United States, only trade volumes between Africa and the EU as a whole are still more important (cf. UNCTAD 2010). Chinese loans to Africa also grew constantly over the last ten years. The Chinese EXIM Bank, more and more joined by other public financial institutions, provides concessional, preferential and commercial loans to African governments for various types

[3] A word of caution needs to be made though: The concept of 'equality' in international relations does not imply that China and African countries are on the same footing in bilateral or multilateral relations. In the case of Ethiopia, Chinese bargaining power vis-à-vis the Ethiopian government is probably quite substantial. This might hold less true for the Angolan government which can be expected to have much more bargaining power due to Chinese interests in Angolan oil reserves.

[4] Non-interference became a key principle of Chinese foreign relations when it was introduced in the final statement of the Bandung Conference of non-aligned countries in 1955. Similar to China, other emerging economies such as India or Brazil also stress non-interference as a key principle of their foreign relations. Similarities between China and other emerging economies in this regard are often overlooked in Western policy debates, not least so because India as the "biggest democracy" is perceived to be much closer to Western norms and standards than China.

of infrastructure projects such as roads, hydropower dams or mining projects. Loans are provided without political or economic conditionality similar to traditional donors' conditionality,[5] and projects are implemented by Chinese companies. While the volume of these loans for Africa as a whole is difficult to calculate, in countries like Angola, the Democratic Republic of Congo or Sudan China is becoming one of the largest international partners. China also provides development assistance to African countries. Even though China does not calculate its development assistance according to OECD DAC standards, some parts of China's assistance could be classified as development aid according to these standards. Estimates suggest that Chinese development assistance to Africa has been increasing and that in terms of the volume of resources, China could now be classified as a middle size donor, similar to Canada or Italy (cf. UNCTAD 2010).

Whereas Chinese engagement for a long time primarily focussed on economic cooperation, more comprehensive political, social and cultural cooperation has recently gained in importance and the range of African actors involved in bilateral relations with China has broadened. The Action Plans of the 2006 and 2009 Forums of China-Africa Cooperation (FOCAC) envisage strengthening political cooperation between Chinese and African governments, parliaments or regional administrations; cooperation between Chinese and African media or judicial institutions should also be enhanced. In addition, the Chinese government announced that it would increase support for education and human resource development. For instance, China plans to scale up the number of short-term training courses for African professionals. As part of this initiative, 15,000 African professionals (many from government institutions) travelled to China between 2007 and 2009 (Forum on China-Africa Cooperation 2006; 2009). Compared to Sino-African economic cooperation, less research has been done up to now to analyse the recent broader dynamics of Sino-African political, cultural and social cooperation.

China's overall approach towards Africa is centred on bilateral relations with African countries: regional, pan-African or multilateral endeavours take a backseat for the time being. Whereas the Chinese government actively engages with almost all African countries,[6] the size of the economic engagement and the modalities of engagement seem to vary substantially between different African countries. Depending on Chinese economic and political interests in different countries, some countries receive only limited support and mainly in the form of what could be classified as 'traditional aid projects' – e.g. construction of rural

[5] The government of the People's Republic of China nevertheless asks for support for the "One-China-Policy" and the suspension of relations with Taiwan in return for assistance.

[6] The People's Republic of China holds bilateral relations with 48 African countries. Only 4 countries – Burkina Faso, Gambia, Sao Tomé and Principe and Swaziland – currently recognise Taiwan.

schools, hospitals or scholarships for students to study in China. One case in point would be Rwanda (cf. Grimm, Höß et al. forthcoming). In other countries, Chinese engagement is much more comprehensive with regard to the sectors and modalities of engagement and more substantial in terms of transfer of economic resources. Although modalities and areas of cooperation to some extent diverge, the empirical analysis will show that Angola and Ethiopia constitute two examples of this more comprehensive and substantial Chinese engagement in Africa.

2.3 China in Africa undermining European efforts to support good governance?

Arguably, the success of European policies for supporting good governance in African countries is affected by a broad range of factors. A first group of factors relates to the quality of European engagement towards a particular country or region as a whole. European policies are likely to be more effective if the EC sets up consistent and coherent policies to address problems of governance in third countries. European Commission policies to support good governance might be impaired for instance by broader European economic or political interests in cooperation with African countries (cf. Jünemann and Knodt 2006). The quality of European activities can also be compromised if the Commission and EU member states do not coordinate their policies. Secondly, the degree to which European policies are effective depends on the domestic context of the target country and the extent to which this context is favourable for supporting governance reforms. Reforms to improve the governance situation in a given country are first and foremost a domestic affair and external actors can only support and not replace domestic initiatives. Thirdly, also the international context and other external actors engaging with the target country can affect European policies of promoting good governance. If the World Bank or the United States' approaches towards a given country differ from European policies, this can affect the outcome of European instruments to support good governance. Chinese engagement with African countries is part of this third group of factors.

As indicated above, Chinese engagement with African countries differs fundamentally from European engagement, notably with regard to its objectives and political discourse as well as the instruments and modalities of engagement. The discussion below outlines how and under which conditions Chinese engagement in Africa could affect European policies of promoting good governance, potentially reducing the effectiveness of European instruments.

If China provides financial support to African countries, for example in the form of loans for infrastructure projects without conditions attached, this could reduce the effectiveness of European *conditionality*, depending on the amount of funds provided, the timing when funds are provided, to which actors and through which modalities they are provided.

Chinese engagement could also have effects on European technical and financial *assistance* in support of good governance reforms. China seeks to intensify and broaden its cooperation with different actors in African countries, e.g. with parliaments, local governments or also the judiciary. Chinese engagement increasingly includes also educational and human resource development. Depending on the precise content, the modality and intensity of these activities, Chinese engagement could negatively affect the output and outcome of European assistance for governance reforms. Providing resources to the same actors as the EU, Chinese engagement could reduce the incentives of these actors to implement European assistance programmes. In addition, China could also diffuse different ideas and norms about the direction of reforms, thereby changing the preferences of the actors targeted by European assistance.

Also, European *political dialogue* with African countries could be affected by Chinese engagement. African governments might be less willing to engage in dialogue on governance reforms with the EU if China becomes a major alternative partner and provider of economic resources that is not pushing for discussions on political reforms. China might promote norms through its engagement with African governments that diverge from or conflict with European norms. Even without concrete dialogue and exchange between Africans and Chinese, China's development path and China's way of providing development assistance could be increasingly discussed in African countries in order to draw lessons from China. The question would be to what extent African elites and societies perceive China's development path as more appropriate for their own development and China's way of providing development assistance as more legitimate than European engagement.

Chinese engagement with African countries might have different effects for European instruments to promote good governance across different African countries. Since the intensity of Chinese engagement seems to vary strongly between African countries, effects for European policies are more likely in countries where Chinese engagement is substantial and comprehensive. In this regard, effects of Chinese policies for the EU might also be stronger in countries that are highly aid dependent, since China might represent a particularly welcome source of alternative funding in these countries. In addition, Chinese engagement might have more effects for European policies to support good governance in countries where European governance reform requirements would induce high political adaptation costs. Authoritarian regimes might be more interested in strategically using support from China to ease reform pressure from the EU or other Western donors. For these regimes also China's development path and political 'model' might be particularly appealing as a source of inspiration for domestic reforms.

In order to assess how China's engagement relates to European policies of promoting good governance in African countries, the paper will therefore look into two country cases in which Chinese engagement is likely to have negative effects for the EC's policies of promoting good governance: Angola and Ethiopia.

Providing important volumes of loans to Angola and increasing amounts of assistance and loans to Ethiopia, China is a prominent actor in both countries. Both countries can be considered authoritarian regimes according to relevant governance indices.[7] Even though both countries most likely have a general interest in diversifying their international partners, engagement with China therefore might be particularly interesting for both in order to ease pressure from the EU (and other 'traditional' donors) for political reforms. Both countries, however, differ strongly with regard to their degree of aid dependency. Ethiopia – as one of the poorest countries in Africa and without natural resources – is strongly aid dependent; Angola on the contrary is not aid dependent at all but almost exclusively reliant on oil and diamond revenues. This difference affects not only the potential leverage of the EU to push for governance reforms but also the potential relevance of China as another partner to the regime. While in Angola the EU holds limited means of exerting pressure anyway and regardless of Chinese engagement, in Ethiopia Chinese engagement seems more likely to have negative effects for European policies.

3 Chinese and EC engagement in Angola and Ethiopia: conflicting approaches?

3.1 The European Commission and China in Angola: aid donor versus business partner?

Angola emerged from three decades of civil war only in 2002 and its social and economic development challenges are huge. The country ranks at the bottom of human development indices, revenues from the tremendous oil reserves remain within the hands of the elite and corruption is widespread. The Angolan system is dominated by a small national elite around President dos Santos (and his family and associates) that is also controlling the economic life in the oil and diamond rich country. While the elite of the country has little interest in broadening

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[7] See for instance the Bertelsmann Transformation Index and Worldwide Governance Indicators.

its power basis and sharing the country's wealth, the attraction of a Western lifestyle and economic ties to Western countries are strong.

The Angolan elite holds close contacts with parts of the international community, notably with its former colonial power Portugal. The United States have been one of Angola's largest oil importers even during the cold war when oil resources were controlled by the Soviet-backed MPLA. After the end of the civil war, the Angolan elite sought to diversify its international economic partners and emerging powers like China and Brazil quickly gained importance. Whereas economic cooperation dominates relations between Angola and EU member states or China, the European Commission can mainly rely on development assistance as a tool for bilateral relations. It is important to bear in mind though that development assistance altogether accounts for less than 1 percent of Angola's GDP.

3.1.1 The EC: striking a balance between European economic interests and good governance promotion?

The Cotonou Partnership Agreement and the Joint EU-Africa Strategic Partnership constitute the main framework for the European Commission's policies with Angola. Development assistance is therefore a key element of the European Commission's engagement with the Angolan government. The EC is among the largest traditional donors, providing € 214 million aid to Angola in the 10th EDF for the period from 2008 to 2013.

Besides the European Commission, several EU member states maintain strong bilateral relations with Angola. Some member states' companies, e.g. from Portugal or France, hold important economic interests in Angola, notably in the oil sector. With a view to reinforcing the role of European institutions in overall EU-Angolan relations compared to member states and in order to strengthen EU-Angolan political dialogue, the EU launched an initiative to build a 'special' partnership with Angola in 2009.[8]

Good governance is presented in European policy documents for Angola as a key objective. The EC seeks to support good governance mainly through assistance and political dialogue. Positive conditionality and incentives through the Governance Incentive Tranche are used in order to strengthen political dialogue.

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[8] Interviews with officials from European institutions in Brussels, April 2010

Assistance to support capacity building and governance reforms

In order to improve governance, the EC provides project aid to support specific governance aspects. Other modalities that the EC has at its disposal, such as Sector Wide Approaches or sector budget support are not applied, presumably because of limited economic governance and limited administrative capacities in Angola.

While the 2002-2007 National Indicative Programme (NIP) reserved € 15 million (13 percent of assistance provided under the 10^{th} EDF) for projects to support specific governance aspects, concrete projects were initially not included in the programming. Only the first mid-term review in 2004 launched concrete interventions, e.g. support to justice, administration and public finance reforms. Due to limited administrative capacities and differences in priorities between the Angolan government and the EC, these projects have been heavily delayed, were not fully implemented or completely cancelled. An evaluation in 2006 therefore suggested that the EC should rethink its approach and mainstream governance objectives in sector policies supporting health or education, rather than providing assistance for specific governance aspects (cf. Tollenaere 2006). This advice did not induce major policy changes. Assistance for interventions in specific governance sectors increased to about € 40 million (20 percent) in the current NIP (2008-2013). Thus far, the effectiveness of projects outlined in the current NIP has not improved much: a recent evaluation sheds light on the great gap between commitments and disbursements of EC governance assistance in Angola. Compared to interventions targeting the central government, projects supporting decentralisation and governance at the regional level were apparently slightly more successful (Busacker, Cerritelli et al. 2009).

While the largest share of European assistance is provided to state institutions, the EC also supports Angolan civil society organisations. International NGOs have been important partners in this context, implementing EC programmes immediately after the civil war, when the presence of the Angolan government was not assured throughout the country. After 2004, EC programmes were increasingly implemented through government structures and national institutions. Local civil society organisations received some support from the EC outside the EDF budget through the EIDHR or the 'Co-Financing with NGO' budget line (ibid.).

The EU also provided support and sent an election observer mission for the parliamentary elections that took place in September 2008. The European Commission and other Western partners had been asking the ruling elite to hold elections. The date, however, had been postponed several times. Whereas international observers considered parliamentary elections free and fair, Angola experts argued more critically that paradoxically "(...) the elections served as a vehicle for the MPLA to transform Angola into a de facto one-party state while at the same time gaining long-elusive national and international legitimacy" (Roque 2009).

Positive and negative conditionality

The EC's policies in Angola entail only few elements of conditionality. The Governance Incentive Tranche currently appears as the major instrument to set incentives for governance reforms. Initiated at the European level in 2006, the GIT was applied in Angola when the EC set up the current Country Strategy Paper. The objective of the GIT is to commit the Angolan government to governance reforms and to enter into discussions on governance issues. Following the rationale of the GIT, the government was asked to set up a Governance Action Plan (GAP) that identifies shortcomings in political and economic governance and to initiate a reform programme to overcome these shortcomings. This process would then be rewarded with an increase in the country allocation.

In practice, the GIT met substantial difficulties and did not reach several of its core objectives. First and foremost, the Angolan government was not willing to engage in dialogue on governance issues and refused to draft a GAP as required by the EC. Instead, the EC used governance reforms as outlined in the Angolan national development plan as a substitute.[9] Despite this, Angola was rewarded with a tranche that significantly increased EC development assistance to Angola. Against this background and against the evidence that ownership of reforms is needed to make them happen, the findings of the Mid-Term-Review process are not surprising: the great majority of reforms announced in the GAP apparently have not been implemented.[10] Since the decision on the overall amount of EDF funds to Angola will include an assessment of the governance situation as well as the economic and social development, low performance in the area of governance will most likely not induce a decrease in EC assistance to Angola. Consequently, non-compliance with the GAP will probably not have negative financial consequences for the government.

Political dialogue

Political dialogue between the EU and the Angolan government is generally highly problematic, as the willingness to dialogue and the understanding of its subject matter appear to be uneven between both sides. Dialogue takes place in irregular time intervals and the Angolan government is highly reluctant to discuss political reforms during these

[9] Interviews with officials at the Delegation of the European Commission in Angola, November 2009

[10] ibid.

meetings. In cases where dialogue has taken place, the discussions did not foster tangible consequences and the impact of the dialogue on the positions of the government or on EC cooperation policies and programmes was reported to be low (Tollenaere 2006). While political dialogue even lost momentum during the last years, the EC recently made efforts to revitalise overall political dialogue and to launch policy dialogues (Busacker, Cerritelli et al. 2009)

3.1.2 China: alternative source of funding at the right time?

China was already engaging in Angola during the cold war, although China was not one of Angola's most important partners at that time.[11] Only after the end of the Angolan civil war and after China launched its 'going out' policy in 2002 did the Chinese government substantially intensify its engagement, to the point of becoming one of the most important bilateral partners for the Angolan ruling elite. For China, Angola now constitutes one the most important countries in Africa, being China's largest source of oil together with Saudi Arabia.[12]

No assistance to support government or non-state actors' capacities

The Chinese government has apparently not set up specific projects or technical assistance to support government capacities and the policy-making process – neither in the field of infrastructure where China is mainly engaging, nor with regard to policy fields such as justice and administration where the EC seeks to promote reforms. Some 200 Angolans apparently took part in short-term training courses offered for African officials under the FOCAC framework in 2007 and 2008, but information on the content of these courses is limited (Hon, Jansson et al 2010, 35). In contrast to the EC, the Chinese government also does not interact with civil society organisations. Instead, Chinese activities consist largely of infrastructure projects that are mainly carried out by Chinese companies, employing Chinese workers (albeit with increasing numbers of Angolan workers). In cases where Angolan workers are employed, Chinese companies rarely provide training for them.[13] All in all, Chinese engagement therefore does not seem to produce immediate conflicts with European assistance for governance reforms.

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[11] Together with the United States and other Western countries, China supported the UNITA, the party that finally lost the civil war. The MPLA was supported by the Soviet Union.

[12] In 2009 Angola became an oil exporter to China as significant as Saudi Arabia, being the largest supplier in some months. For more information refer to the US Energy Information Administration: http://www.eia.doe.gov/cabs/China/Oil.html, accessed in January 2011.

[13] Interview with representatives from Western companies in Angola, November 2009

Financial resources and infrastructure provided by China

China does not consider Angola as an aid recipient country and development assistance plays a marginal role in China's cooperation with Angola. Instead, a business approach prevails: loans are provided on a commercial basis, even though interest rates are often low.

Adding up to at least US$ 4.5 billion since the opening of the first oil-backed credit line in 2004, the Chinese EXIM bank has been providing substantial amounts of financing to the Angolan government (cf. Campos and Vines 2008). Chinese loans are not bound to political or economic reforms and they provide the Angolan leadership with some flexibility to spend the money according to its priorities. Besides the credits provided by the EXIM Bank, it is not clear to date how much money the Hong Kong based China International Fund (CIF) provided to Angola. The activities of the CIF are highly opaque and the connection between the fund and the Chinese government is controversially discussed. Empirical data indicate that the fund has provided at least US$ 2.9 billion to Angola for infrastructure reconstruction (Levkowitz, Ross et al. 2009).

Chinese loans are mainly reserved for key public investment projects in the construction and rehabilitation of basic infrastructure, telecommunications and agro-business under the Angolan government's national reconstruction programme. During the last five to six years, Chinese companies constructed the great share of the infrastructure that has been (re)built in Angola. The considerable amounts of basic infrastructure has probably been positively contributing to the economic development of the country, even though the quality of the infrastructure delivered is disputed and several projects face substantial delays (cf. Campos and Vines 2008).

For the Angolan elite, the recent increase in Chinese engagement has been well-timed and Chinese interest in providing infrastructure in exchange for oil has matched perfectly with the need of the Angolan government to secure financing and launch infrastructure rehabilitation. In 2004, two years after the end of the civil war, the Angolan government urgently needed financial support from international partners for the reconstruction process of the country. At that time, the Angolan government repeatedly asked the international community, and notably the European Union, to organise a donor conference in order to mobilise international support for the reconstruction of the country, but without success. The EU was reluctant to arrange such a conference before negotiations between Angola and the IMF had succeeded. The Angolan government, however, was unwilling to comply with IMF conditions.[14] Beyond support from donors, also loans from Western countries were difficult to obtain for Angola, since negotiations with the Paris

[14] Interviews with EC officials in Angola in November 2009 and in Brussels in April 2010.

Club creditors were not concluded and Angola still had outstanding debt to pay. In addition, international oil prices at that time were still moderate and Angolan oil supply rates were also still comparatively low.[15]

At the same time, President dos Santos and the ruling elite close to him felt growing domestic pressure to prove that they are not only able to establish peace, but also capable of managing the reconstruction process and bringing economic growth to the country. In this regard, Chinese credits combined with the rapid infrastructure reconstruction were probably perceived by the Angolan leadership as a quick and convenient answer to the basic infrastructure problems of the country. Speedy delivery was required: most Chinese projects were due to be implemented before the parliamentary elections that have been delayed and were only held in 2008, "thus adding prestige and bolstering the MPLA government's credentials of delivery" (Burke, Corkin et al. 2007).

During this critical period, China was probably one of the most important international partners for the Angolan government. However, given pressing economic problems in the wake of the international financial and economic crisis and after the parliamentary elections in 2008, the Angolan leadership apparently sought to more strongly diversify its international partners. In November 2009 for instance, negotiations with the IMF finally led to the signing of a loan agreement. Earlier that year, President dos Santos also secured funding from several European countries, notably Spain and Portugal. Bilateral relations with Brazil have also intensified in recent years.

Even though China probably became one Angola's most important partners during a critical period of the reconstruction process, there are few indications that Chinese engagement directly conflicted with European policies. For various reasons, the European Commission hardly sought to condition its assistance to governance reforms and Chinese engagement therefore did not immediately undermine European policies.

Political dialogue

Negotiations on the provision of credits probably constitute a crucial moment for a more 'political dialogue' between the Chinese and Angolan leadership. Yet, little is known with regard to the concrete consultations. Credit lines are negotiated at the highest political level first. Specific infrastructure projects are then individually negotiated by a joint Angolan-Chinese committee composed of officials from the Angolan Ministry of Finance and the Chinese Ministry of Commerce (Vines, Wong et al 2009, 48). Exchange between the Chinese and Angolan ruling par-

[15] Angola's oil production increased after 2004; see for instance US Energy Information Administration: http://www.eia.doe.gov/emeu/cabs/Angola/pdf.pdf. Oil production and oil prices only started soaring at the end of 2005.

ties takes place once a year,[16] but little is known about the content. In the Angolan political discourse as well as in public debates in the (state-controlled) media, Chinese political and economic development as a potential model for Angola does not seem to play a prominent role. Instead, due to the colonial heritage and persistently strong economic, political and cultural ties, the Angolan political elite seems to be predominately oriented towards Western countries, particularly Portugal and Brazil.

3.1.3 Chinese engagement in Angola conflicting with the EC's good governance policies?

All in all, Angola is – already under the best of circumstances – a difficult terrain for European policies to promote good governance. The EC can mainly draw on development assistance in order to support governance reforms. However, in light of low levels of aid dependency, strong reluctance on the side of the Angolan government to commit itself to governance reforms, and important economic interests of some European member states, the Commission is struggling to effectively use assistance funds to support good governance. While targeting most of its assistance to the Angolan government and having the Angolan government as its most important interlocutor, the EC has considerable difficulties in establishing itself as a partner with the Angolan leadership and entering an effective dialogue on governance reforms. Since the EC holds limited means to 'pressure' for reforms, an effective dialogue would be even more important to support governance reforms.

In contrast to the EC, China has set up a pragmatic approach to engage with the Angolan government that is strongly business-oriented and dominated by oil-for-infrastructure deals. While political exchange and capacity-building in a broader sense seem to play only a marginal role, the Chinese government established itself as a key partner for the Angolan leadership during a critical moment of the reconstruction process.

At the same time, findings from the empirical analysis indicate that Chinese engagement in Angola is not directly conflicting with European policies of supporting good governance. The empirical information so far available suggests that Sino-Angolan political exchange only plays a minor role; China does not seem to pro-actively promote norms and ideas about governance reforms that would conflict with European concepts. China also does not seem to provide assistance or other types of resources to those actors that the EC seeks to support in the context of

[16] This refers to information on the website of the International Bureau of the Chinese Communist Party.

its projects to assist governance reforms (e.g. the judiciary). And Chinese engagement does not conflict with European conditionality.

China, however, might impact on European policies in more indirect ways. Whereas difficulties of the EC to effectively engage with the Angolan government can mainly be explained by EU internal difficulties and the difficult domestic context in Angola, Chinese prominence could have further reduced the leverage of the Commission to engage with the Angolan leadership on governance issues in a meaningful way. In addition, China might also have influenced European strategies towards the Angolan government, for instance in the case of the Governance Incentive Tranche. The fact that Angola was rewarded with a considerable tranche can probably partly be attributed to an interest of the EC to use the tranche in order to 'buy' itself into a dialogue with the government in light of China's strong presence in the country.

3.2 The European Commission and China in Ethiopia: competing development partners?

Ethiopia has been characterised as a 'donor darling', partly due to the size of the country's population and its level of poverty. Ethiopia is one of the poorest countries in the world, holding position 157 out of 169 countries in the UN Human Development Index (Human Development Report 2010). With around 80 million inhabitants, Ethiopia has the second largest population in Sub-Saharan Africa, half of it Muslim. Being mostly surrounded by unstable regimes, Ethiopia is widely considered a pillar of relative stability in the Horn of Africa which makes it an important strategic ally for many of its international partners.

Due to the level of needs and the geo-strategic importance of the country, donors are keen to provide support in spite of differences concerning parts of the policy reform agenda. The Ethiopian government for its part is conscious of its bargaining power vis-à-vis donors and uses it strategically to minimise compromises on its policy agenda (cf. Furtado and Smith 2009). According to OECD DAC statistics, development assistance accounted for about 13 percent of GNI in 2008. While traditional donors such as the World Bank (IDA), the United States and European donors still provide the bulk of development assistance to Ethiopia, 'new' partners – first and foremost China, but also India or the Global Fund – have brought new sources of financing and alternative ideas on political and economic development for the Ethiopian government (ibid.).

The Ethiopian government is perceived by most traditional donors as being strongly committed to development. The government and traditional donors, including the European Commission, agree on large parts of the policy reform agenda. Also, most donors view Ethiopia's economic governance structures positively. Ethiopia is perceived to have sound public financial management structures and low levels of corruption. In contrast, disagreement between the government and donors exists with regard to the political reform agenda. Parliamentary elections particularly in 2005 but also in 2010 were criticised by donors for falling short of international standards. New laws regulating NGOs and the media that have been passed ahead of the 2010 parliamentary elections were criticised for reducing political space for civil society organisations engaging in governance issues and for opposition forces.[17]

3.2.1 The EC: walking on a tightrope between support for democratic governance reforms and stability?

The Cotonou Agreement and the EU-Africa joint strategic partnership also constitute the fundamental basis for EC-Ethiopia relations. Development cooperation takes a key role in bilateral relations between the EC and Ethiopia. If measured by the amount of development assistance provided, Ethiopia constitutes one of the largest recipients of EC's assistance in Sub-Sahara Africa. Through the 10th EDF (2008-2013), the EC is planning to provide about € 644 million development assistance to Ethiopia (Ethiopia and European Community 2008). While European countries still represent an important export market for Ethiopian coffee and other primary goods, Ethiopia's relevance as an export market for European products is marginal. European foreign direct investment in Ethiopia is insignificant and natural resources also do not play a significant role in bilateral relations.

The European country strategy paper highlights the improvement of the governance situation as a key objective of the European Commission's policies in Ethiopia. The European Commission seeks to support good governance through assistance for civil society and government actors and through political dialogue, and applies conditionality.

Assistance to support capacity building and governance reforms

In the 10th EDF € 49 million (8 percent) was set aside for interventions in the area of democratic governance, a doubling of absolute funds compared to the previous EDF. Targeting government institutions, the EC provides assistance in the form of specific projects for capacity building of the administration and democratic institutions as well as reforms of the justice sector. Jointly with other donors the EC supports the Democratic Institutions Programme that aims at strengthening among other things the capacities of the parliament, the Human Rights Commission or the Federal Ethics and Anti-Corruption Commission.

[17] Interviews with representatives from various Western donors in Ethiopia, October 2009 and December 2010

While the EC started designing a programme to support reforms of the justice sector already in 2007 (European Commission 2007), implementation was considerably delayed and was launched only at the end of 2009 (European Commission 2009). The delay of programmes and difficulties in implementing programmes targeted at government institutions is also notable, since the Ethiopian government is perceived to hold comparatively strong administrative capacities, allowing the government to generally implement development assistance programmes effectively and efficiently, once the government has decided that a programme should be considered a priority (cf. Furtado and Smith 2009).

Ethiopian civil society is supported mainly through the Civil Society Fund that aims at building NGO capacities in the area of service delivery, governance and conflict prevention and aims at improving dialogue between government institutions and civil society. Beyond the EDF, civil society is also supported through the EIDHR. According to EC documents the Civil Society Fund contributed to strengthening dialogue with non-state actors; NGOs increasingly took part in EC-government policy dialogues as well as in the preparation of the Country Strategy Paper 2008-2013 (European Commission 2009). In contrast, discussions between civil society and government institutions remain difficult: the NGO law adopted in 2009 ahead of the parliamentary elections was widely criticised by donors for reducing the space for civil society organisations, particularly for those organisations engaging on governance issues. NGOs operating in the governance area are no longer allowed to receive foreign funding. The long-term implications of the law for the European Civil Society Fund remain unclear.[18]

The EU also supports elections in Ethiopia and European election observer missions monitored parliamentary elections in 2005 and 2010. The process was both times a rather difficult one. In 2005 demonstrations against the government after the elections led to violent confrontations during which at least 200 people died. Amnesty International and others criticised the government for "excessive use of force". In this context, the EU election observer mission received special criticism from the Ethiopian government. A preliminary report that had been submitted by the mission ahead of the official results was more critical than expected and publicly discarded as a 'lie' by Prime Minister Meles (cf. Brüne 2010). For the 2010 elections another EU mission was finally invited again. The final report, however, was issued very late and the mission was not allowed to travel back to Addis – as foreseen – in order to present the results of the report.

[18] Interviews with EC officials in Ethiopia in October 2009 and in Brussels in April 2010

Positive and negative conditionality

The EC seeks to foster governance reforms applying positive and negative conditionality through different modalities. The Commission and some European member states provided General Budget Support to the Ethiopian government until the end of 2005. All donors' general budget support represented about 20 percent of the overall aid volume at that time, amounting to US$ 375 million; for the next fiscal year donors were planning to raise budget support to US$ 500 million (cf. Furtado and Smith 2009). In light of the political crisis after the parliamentary elections in May 2005, the EC and other donors decided to suspend budget support, also to pressure the Ethiopian government to reconcile with opposition parties. Having included budget support funds into its budget planning, the Ethiopian government was put in a precarious position. At the same time, the government made clear that it would not modify its approach to the crisis because of donor pressure (ibid.).

At first glance, the European Commission and EU member states seem to have reacted in a coordinated way. However, it quickly became clear that donor reaction was at the level of aid modalities, not aid volumes. Even though the Ethiopian government did not show great willingness to compromise on political issues that had caused the crisis, the EC together with other donors decided not to reduce funds but to channel them through other programmes with stricter monitoring and earmarking procedures attached, notably the Protection of Basic Services (PBS) programme. The objectives of the EC (and other donors) to not reduce aid levels were probably at least threefold – to support needy sectors, to continue engaging with the Ethiopian government and to spend aid funds ("disbursing dilemma").

Critics argue that programmes like the PBS that had been introduced originally as an alternative to General Budget Support continue to strengthen the government's authority structures, since funds are oriented to regional and local government, most of them controlled by the ruling party (cf. Borchgrevink 2008).[19] According to the World Bank, the PBS might have been more effective if more attention had been paid to fostering a more demanding and comprehensive dialogue with the Ethiopian government on governance issues during and directly after the crisis in 2005 (World Bank 2008, quoted in Borchgrevink 2008, 213).

The EC also seeks to promote good governance as a crosscutting issue, for instance through sectoral budget support in the transport sector. In order to qualify for sector budget support, high levels of transparency

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[19] A recent Human Rights Watch report comes to similar conclusions. Refer to: Human Right Watch (2010), Development without Freedom. How aid underwrites repression in Ethiopia, online: http://www.hrw.org/en/reports/2010/10/19/development-without-freedom-0, accessed in January 2011

and accountability already need to be in place. One objective of sector budget support is then to further strengthen government capacities by channelling funds through government structures. Between 2008 and 2013 overall EC support for the sector is planned to amount to € 220 million (Ethiopia and European Community 2008). Thus far, the performance assessments for sector budget support generally came to positive conclusions; most of the time, variable tranches were fully disbursed.[20] This also implies that the management of the transport sector overall complies with EU requirements, e.g. regarding the transparency and accountability of government activities. According to several donors in Ethiopia, these standards are indeed not deteriorating.[21]

Similar to the process in Angola, the implementation of the Governance Incentive Tranche encountered difficulties in Ethiopia. The objective of the GIT is to encourage African governments to strengthen political dialogue with the EU on governance issues and to formalise government commitments to governance reforms in a 'contract' with the EU (European Commission 2009a). In the case of Ethiopia, the GIT hardly contributed to strengthening political dialogue, strengthening commitments on governance reforms and minimally contributed to governance reforms more generally. Discussions on the GIT took place within the programming dialogue for the country strategy paper and not in the context of the political dialogue. The government did not draft a specific Governance Action Plan itself as envisaged by the design of the GIT. Instead, the Commission accepted governance commitments outlined in the Ethiopian national development plan as Governance Action Plan. Just as in other ACP countries, the size of the incentive tranche was then fixed *ex ante* on the basis of this plan.[22] Despite shortcomings in the process of drafting the Governance Action Plan, Ethiopia received a comparatively high tranche.

While the limited success of the GIT can partly be explained by inconsistencies in the implementation of the instrument, also the set up of the instrument itself seems to be problematic: the size of the financial incentive is comparatively small particularly for countries like Ethiopia in which political reforms would induce considerable political adaptation costs. The *ex ante* allocation of the tranche further reduces the pressure to effectively implement reforms beyond the formal commitment to reforms in the Governance Action Plan. The limited differentiation in the size of the tranche between different countries further reduces the incentive for African government to commit to substantial reforms.

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[20] Interviews with officials from the European Commission in Ethiopia in October 2009 and December 2010

[21] Interviews with representatives from the European Commission and the World Bank in Ethiopia in October 2009

[22] Interviews with EC officials in Ethiopia in October 2009 and in Brussels in April 2010

The timing of the launch of the instrument also proved to be rather inflexible vis-à-vis the country context. In the case of Ethiopia the introduction of the GIT coincided with a difficult political situation and tight relations between the Commission and the Ethiopian government. The GIT was launched at the European level when relations between the Commission and the Ethiopian government were particularly tight due to the 2005 post-election crisis. Since the GIT was supposed to feed into the Country Strategy Papers of the 10th EDF, the EC was under strain to apply the instrument regardless of the political setting in Ethiopia.

Political dialogue

European-Ethiopian political dialogue is generally difficult. Before the post-election crisis in 2005, political dialogue provided a channel of communication with key Ethiopian Ministers and Prime Minister Meles. Political dialogue then also included governance issues and was considered to be good and steadily improving (Ethiopia and European Community 2008). In the aftermath of the crisis, the EC continued to push for dialogue that should continue to include discussions on human rights, governance and development cooperation. These endeavours, however, met stronger reluctance on the side of Ethiopian authorities.

3.2.2 China: alternative partner providing additional financing, different modalities and new ideas?

Even though China has a long history of involvement in Ethiopia, Chinese engagement considerably increased only when China enhanced its overall engagement in Africa around 2005. Not much different from Western powers, the Chinese government sees Ethiopia as an important strategic ally in the Horn of Africa. China became Ethiopia's largest trading partner in 2009 and Ethiopia is an important potential export market for Chinese goods. Chinese direct investments to Ethiopia have also increased, making China one of the largest investors in Ethiopia.

Limited assistance to support government or non-state actors' capacities

China also provides some assistance to support capacities of the Ethiopian government. This assistance differs from the European Commission's assistance, however, and is (unsurprisingly) not provided with a view to foster good governance in Ethiopia.

China offers different types of training programmes for various parts of the Ethiopian elite. For instance, staff training for Ethiopian para-statal companies such as the Ethiopian Telecommunication Corporation or the Electric Power Corporation takes place. The content and extent of trainings for para-statal companies, however, remain unclear and seem to vary considerably between different institutions.[23] Within the context of Chinese training and exchange programmes for African officials, representatives from Ethiopian regional and national administrations or the media are sent to China for ten days up to one month. Since 2006, around 200 Ethiopians have taken part in these programmes annually.[24] Many participants are highly impressed by Chinese economic development; at the same time many describe these exchange programmes as 'visiting tours' rather than training courses.[25] A preliminary assessment of the impact of these training courses therefore seems to indicate that they probably help to increase knowledge about Chinese development, foster a positive attitude among larger parts of the Ethiopian elite and a supportive environment for Sino-Ethiopian relations. It is unclear, however, to which degree more concrete knowledge transfer takes place and how this relates to European assistance.

For the time being, it is also not clear to what extent the Chinese government provides more specific advice on sectoral or institutional reforms. Information available at this stage seems to indicate that some exchange between Ethiopian high-level officials and their Chinese counterparts on institutional or policy reforms takes place on the request of the Ethiopian side. More research needs to be done, however, in order to analyse to what extent the norms and ideas transferred through this exchange conflict with European assistance and conceptions about reforms in specific sectors, e.g. in the area of justice. Beyond training and advice, China also offers material assistance to some ministries, for instance office equipment for the Ministry of Foreign Affairs or the Ministry of Information.[26] On the basis of available information, it appears that the amount of this type of assistance is rather small.

The Chinese government provides almost no support to civil society organisations. Civil society organisations are also not included in discussions between the Ethiopian and Chinese government or in the project circle and process of the implementation of Chinese projects. Recently, the Chinese government started to invite representatives from Ethiopian NGOs for short term visiting tours to China.[27] Some representatives from Ethiopian NGOs voice concern about Chinese engagement

[23] The Ethiopian Telecommunication Corporation negotiated a large staff training programme with its main international partner, the Chinese company ZTE. The precise content and results of this programme remain unclear. The Ethiopian Road Authority apparently does not benefit from specific training programmes. Chinese companies regularly invite ERA representatives for visiting tours to China but these tours are clearly considered as 'tourist visits' by ERA employees (Interviews with representatives from ERA in October 2009 and December 2010).

[24] Interviews with officials at the Embassy of the People's Republic of China to Ethiopia.

[25] Interviews in Ethiopia with officials from different ministries who have been participating in these courses, December 2010

[26] Information based on statistics from the Ministry of Finance and Economic Development.

[27] Interview with officials from the Chinese embassy in Ethiopia, December 2010

and highlight that China provides their government with an alternative source of financial support that could strengthen the government to the detriment of opposition forces. In the media and public debates, however, the government does not allow for controversial discussions on China's engagement and criticism is mainly raised in private discussions. [28]

Financial resources and infrastructure provided by China

Sino-Ethiopian economic cooperation has increased considerably since 2005. Ethiopia is the only African country that received support from all measures announced in the FOCAC meeting in 2006. Assistance through FOCAC includes rural schools, a hospital, a Technical and Vocational Training Centre or a Malaria Prevention Centre. The fact that Ethiopia is probably the only country in Africa that received projects from all FOCAC measures underlines the relevance of Ethiopia for China. At the same time, the most relevant projects from an economic perspective are probably large infrastructure projects for which China provides funding through its banks and that are implemented by Chinese (mostly state-owned) companies.

Compared to Angola, it is more difficult for Ethiopia to receive funding from China, not least so due to a lack of natural resources in Ethiopia. Chinese loans are often provided on a concessional or preferential basis rather than as commercial loans; loans are not bound to the provision of resources. Loans are generally provided on a smaller scale than in Angola and China started providing large loans only recently. Various Ethiopian actors nevertheless expect that China will continue increasing loans and that China will become an even more important partner in the near future. Chinese finance is mainly provided to large scale infrastructure projects. The Ethiopian government has some leeway to allocate the loans and suggest projects (cf. Thakur 2009). While Ethiopian authorities note that the quality of Chinese infrastructure varies between projects, they highlight that China provides infrastructure quickly and cheap with few bureaucratic procedures attached.[29]

Although the respective logic of intervention differs, three policy areas in Ethiopia are currently the main beneficiaries of Chinese engagement: transport, energy and telecommunications. These policy fields also assume a high priority in Ethiopia's national development strategy.

In the transport sector, Chinese state-owned construction companies occupy a predominant position in the market. Chinese companies are winning almost all international competitive bids issued by the Ethio-

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[28] Interviews with representative from Ethiopian civil society organisations, October 2009

[29] Interviews with representatives from the Ethiopian Road Authority, Ethiopian Electric Power Corporation and from the Ministry of Finance and Economic Development in Ethiopia in October 2009 and December 2010

pian government and funded partly through sector budget support from the EC.[30] Whereas financial support for the transport sector was until now mainly provided for road projects in Addis Ababa, an agreement for the first project outside Addis was reached in 2009: the Chinese EXIM Bank provided a preferential loan amounting to about US$ 350 million to finance the bulk of an expressway linking Addis and Nazreth. Even though the project constitutes a key priority for the Ethiopian authorities, the government could not secure financial support from traditional donors for it, partly due to the size of the investment needed.[31] Since Chinese companies already dominate the Ethiopian market in road construction and the expressway will bring only limited immediate revenue,[32] Chinese interest in this project can probably be partly explained by the fact that the expressway constitutes a prestige project for the Ethiopian government rather than by purely commercial considerations.

In the energy sector, China mainly supports hydropower dams. Loan agreements for several new large scale dams have been signed during the last years. The projects are carried out by Chinese state-owned companies; they are financed by the EXIM bank or other Chinese public financial institutions, e.g. the China Development Bank, on a preferential or commercial basis. China has thus been the only country providing sovereign commercial loans to Ethiopia in recent years.[33] China increasingly also supports the infrastructure needed for the transmission and distribution of energy. Contracts for a wind project have been signed recently. Financial support for the energy sector seems to be driven clearly by economic interests. Once the hydropower dams are completed, energy sales to the domestic market and neighbouring countries will be used to refund the loans.

In the telecommunications sector, the Chinese company ZTE agreed to provide the Ethiopian Telecommunication Corporation with equipment worth US$ 1.5 billion. The modalities of this deal are different from other Chinese projects, since the China Development Bank in this case provided an export sellers credit.[34]

All in all, Chinese economic cooperation with Ethiopia does not seem to conflict directly with European policies of promoting good governance. In policy fields where both are engaging, such as the transport sector,

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[30] Interviews with representatives from the Ethiopian Road Authority in Ethiopia in October 2009 and December 2010

[31] Ibid.

[32] According to information from the Ministry of Finance and Economic Development road user charges shall be collected once the expressway is completed.

[33] Interview with officials from the Ministry of Finance and Economic Development in Ethiopia in December 2010

[34] Interviews with officials from the Ministry of Finance and Economic Development in Ethiopia in October 2009

to some degree parallel structures seem to emerge with one part of the policy field being organised according to Ethiopian standards and in line with European requirements, and one part being structured according to Chinese procedures and without formal tendering processes. If EC policies seek strengthened transparency, accountability, etc. of the *whole* policy field, these parallel structures could in the future indeed pose problems for the EC. In other policy fields, such as telecommunications, the European Commission is not engaging.

Beyond individual policy fields, the Ethiopian government seems to use Chinese economic engagement strategically to increase its flexibility in financing its own development programme. In this respect, recent support from China generally increases the leeway of the government vis-à-vis traditional donors and the EC specifically, since China engages in sectors and large infrastructure projects that are for various reasons not or only partially supported by traditional donors. The increase of Chinese engagement in Africa and in Ethiopia specifically coincided with the aftermath of the 2005 political crisis, when traditional donors threatened to withhold assistance and the Ethiopian government found itself in an uncertain position. In the case of Ethiopia, therefore, China might have contributed to easing pressure that the EU (and other Western donors) built up on the government after what the EU regarded as a clear backslide in the political governance of the country.

Exchange and political dialogue

Similar to the EU and other international partners, the Chinese government also holds regular bilateral cooperation meetings to discuss bilateral cooperation projects. Apart from these meetings, high level visits at ministerial levels take place frequently. Large loans and infrastructure projects are often negotiated at the highest political level, sometimes sidelining the respective ministries in charge and providing the Ethiopian prime minister and entourage with some latitude to allocate loans according to their priorities. As indicated above, ministerial visits also seem to take place on specific request of the Ethiopian government to exchange on economic reform policies, on governance issues or and to 'take inspiration' from China. In addition, the Chinese government also organises targeted visits for high level ministerial officials, probably in order to broaden and deepen the engagement with the Ethiopian government. A couple of days after the cabinet reshuffle in October 2010, for instance, about 20 newly appointed officials at state minister level were invited to China to learn more about the country with a particular view to Chinese economic reform and opening up policies.[35] Throughout its engagement with Ethiopian elites, Chinese officials regularly highlight that China itself still constitutes a developing

[35] Interviews with officials from the Ministry of Finance and Economic Development and from the Chinese Embassy to Ethiopia, December 2010

country, putting emphasis on the similarities with Ethiopia rather than the differences.

Beyond the interaction on a government-to-government basis, party-to-party contacts seem to play a key role in bilateral relations. The EPRDF, the Ethiopian ruling coalition, holds a close and regular exchange with the Chinese Communist Party, its most important international partner. Cooperation with the CCP has been intensified since 2005 when the EPRDF more strongly institutionalised its international relations and a Memorandum of Understanding was signed recently. Topics of the party exchange include for instance party organisation and succession strategies.[36]

Overall, Chinese engagement with the Ethiopian political elite differs from European engagement not only with regard to the content of exchange but also the discourse and the entry points for discussion. While the Chinese government – unsurprisingly – does not pressure Ethiopia to discuss on issues of good governance, there is also no indication that China seeks to actively promote its own way of organising political and economic development. In fact, exchange on economic and political reforms seems to take place on the request of the Ethiopian side, although more research needs to be done to assess the impact and relevance of this exchange.

3.2.3 Chinese engagement in Ethiopia conflicting with the EC's good governance policies?

All in all, European instruments to support good governance in Ethiopia seem to face considerable difficulties. While the EU has little economic interests in Ethiopia that could potentially interfere with its good governance agenda and although the EC could make more use of its position as a major provider of development assistance than in Angola, the EC is struggling to effectively implement the instruments it has set up to support good governance. The case of Ethiopia thereby also highlights the difficulties of striking a balance between support for democratic reforms and stability.

Chinese engagement in Ethiopia appears to be more comprehensive than in Angola, including not only economic cooperation but more substantial elements of training and political exchange than in Angola. The increase of Chinese engagement in Africa and particularly in Ethiopia since 2005 coincided with a critical moment in Ethiopia's transition process and a difficult period in relations between the Ethiopian government and the EU and Western partners more generally.

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[36] Interviews with officials from the EPRDF and the Chinese Embassy to Ethiopia, December 2010

Preliminary empirical findings suggest that Chinese engagement did not directly conflict with the European Commission's policies for supporting good governance. China apparently did not step into the breach when the EC and other donors decided to suspend General Budget Support to put pressure on the Ethiopian government after the election crisis.[37] Chinese technical assistance in the form of resources and training provided to Ethiopian government actors does not seem to immediately conflict with European assistance for institution and capacity building. More research, however, needs to be done to better assess the implications of Chinese activities in training and Sino-Ethiopian political exchange for European policies.

While immediate conflict between Chinese policies and European support for good governance in Ethiopia appears to be limited, China seems to establish itself as an important alternative partner to the Ethiopian government, probably increasing Ethiopia's leeway towards the EC (and Western actors more generally) and reducing the leverage the EC can put in the balance to support governance reforms. Chinese support for large infrastructure projects, investments in productive sectors, provision of training and advice on request of the Ethiopian side without lecturing about and pressuring for political reforms probably makes it an important alternative partner to the EC. At the same time, the differences of the Chinese way of engaging with the Ethiopian government compared to the EC shed light on the difficulties of the EU to reconcile its aspiration to become an effective partner in development while pushing for democratic governance reforms.

Ethiopia is keen to diversify its international partners. When the Ethiopian government presented its new development strategy to international partners in September 2010, Finance Minister Sufian Ahmed made a special reference to the 'new' partners, highlighting their importance for the implementation of the new strategy.[38] While China's relevance for Ethiopia will probably further increase in the near future, other actors such as India, Turkey or Brazil are likely to become more important partners as well.

3.3 Comparing Chinese and European policies in Angola and Ethiopia: objectives, instruments and channels of engagement

Without a doubt, Chinese and European approaches of engaging with African countries differ considerably. First, rhetoric and policy objec-

[37] Some information that was collected during the interviews in Ethiopia suggests that the Chinese government provided a loan facility to Ethiopia shortly after the suspension of General Budget Support. More information, however, is needed to assess the volume, conditions and exact timing of this loan facility.

[38] A summary of the meeting can be found on the website of the Development Assistance Group Ethiopia: www.dagethiopia.org, accessed December 2010.

tives as presented in policy documents and speeches clearly diverge. The EC highlights vis-à-vis Angola and Ethiopia that supporting good governance constitutes one of its key objective in bilateral relations, whereas the Chinese government emphasises its stance on non-interference.

European and Chinese instruments and modalities of engaging with Angola and Ethiopia also diverge. The EC uses assistance, dialogue and conditionality in both countries to support good governance. The emphasis seems to lie on assistance and to some extent dialogue, rather than conditionality. In both countries, the EC increased the volume of assistance provided for governance reforms and to some degree, good governance was more strongly mainstreamed in EC development assistance projects. The EC in both countries seeks to strengthen formal political dialogue with the government, albeit with mixed results. Elements of conditionality such as the Governance Incentive Tranche should also set incentives for the Angolan and Ethiopian government to engage in political dialogue. It can be asserted that the overall focus of the EC's policies in both countries lies in supporting effective and efficient state institutions, rather than pushing for democratisation in a narrow understanding of the term.

In Angola as well as in Ethiopia economic cooperation is at the centre of Chinese engagement. In Angola commercial loans for infrastructure projects in exchange for oil constitute the key modality. Ethiopia receives substantial shares of the FOCAC commitments, preferential and commercial loans for infrastructure financing. China does not hold regular political dialogues comparable to the EU. This does not mean that there is no political exchange: discussions between the Chinese Communist Party and the Angolan and Ethiopian ruling parties take place. However, party exchange and political cooperation more generally seem to be more intense between China and Ethiopia than between China and Angola. China obviously does not provide technical and financial assistance for capacity building with a view to fostering good governance. On the demand of the African side, at times China seems to provide advice on sector policy or institutional reforms. It provides short-term training courses for African officials; these however appear to have more the character of 'public diplomacy' than transfer of knowledge.

At first glance, Europe and China use the same channels of influence to engage with African countries, channelling their assistance predominantly (Europe) or exclusively (China) through the respective African government. Whereas the EC also supports civil society organisations and provides some of its assistance to and through non-state actors, the bulk of European assistance is in both countries given through the government. Chinese bilateral relations with both countries are characterised by close contacts with African high level elites. Large loans are negotiated at the highest political level, often circumventing ministries in charge and providing highest officials with some leeway in how to distribute these resources. The Chinese government barely engages with civil society actors. At second sight, China and the EC to some extent seem to use different 'entry points' to engage with African countries. While the EC seeks to engage and strengthen proponents of governance reform within the government, China appears to engage with larger parts of the political and economic elite, e.g. the ruling parties in both regimes (although more intensively in Ethiopia than in Angola).

4 Conclusions

The EC's policies of promoting good governance face considerable challenges in Angola and Ethiopia. Even though differences can be observed between the two countries and with regard to different instruments, the analysis suggests that several barriers to the EU's ability to influence governance reforms exist, most of them not directly related to Chinese engagement.

In both countries, the implementation of EC assistance to strengthen government capacities in a view to improve the governance situation poses difficulties: projects are delayed, only partly implemented or not implemented at all. Support for civil society was probably more effectively disbursed in Ethiopia than in Angola. The implementation of conditionality, notably through the Governance Incentive Tranche faced challenges in both countries. In Ethiopia, negative conditionality was applied during the 2005 election crisis. Critics have argued, however, that negative sanctions predominantly consisted of shifting modalities of cooperation. In addition, European efforts to engage in and strengthen political dialogue with both countries' governments faces considerable difficulties, probably even more so in Angola than in Ethiopia.

Taking these fundamental difficulties and shortcomings of the EC's policies of promoting good governance into account, the empirical analysis further indicates that Chinese engagement in both countries has little to no immediate negative consequences for the European Commission's policies: there is no direct conflict between China and Europe.

First, the Chinese government only provides limited amounts of technical assistance to support government capacities or to support civil society organisations in Angola and Ethiopia. China offers training and exchange programmes for representatives from various Ethiopian (and to a much lesser extent Angolan) government institutions. Preliminary findings indicate that many of these programmes help to create a conducive environment for bilateral relations and to provide general information about China's transformation process rather than to transfer concrete knowledge on policy and institutional reforms. Problems in implementing EC interventions seeking to support specific governance sectors in both countries can hardly be attributed to Chinese engagement. Instead, these problems can probably rather be ascribed to diverging priorities between the respective African government and the EC as well as to low administrative capacities to carry out projects, particularly in Angola.

Also with regard to conditionality no direct points of conflict can be identified between the Chinese provision of resources and EC conditionality. In Ethiopia, when the EC suspended General Budget Support after the 2005 election crisis, China apparently did not immediately step into the breach. The analysis in both countries further suggests that problems with regard to the effectiveness of the Governance Incentive Tranche can mainly be attributed to the design of the instrument itself and to its implementation by the EC. In countries like Ethiopia and Angola, where governance reforms are lower on the domestic government agenda and would cause substantial political adaptation costs, the financial benefits of the GIT – independently of Chinese engagement – do not set attractive incentives to engage in dialogue and induce political reforms. While it can be argued that in oil-rich Angola the instrument is edgeless anyway, in Ethiopia, the EC could potentially have more influence. Though in both cases, the EC refrained from carrying out the GIT to the full. The reasons for this are not clear at this stage. Molenaers and Nijs (2009) highlight that the political rationales and institutional interests on the side of the EC and EU member states need to be taken into account in order to understand the way the GIT was finally implemented. In this regard, European anticipation of Chinese engagement in Angola and Ethiopia could additionally have encouraged the weak enforcement of the instrument.

In policy fields where China as well as the EC are engaging in Ethiopia, Chinese activities to date do not seem to have immediate consequences for the effectiveness of European policies in general or for European instruments seeking to improve the governance situation of the policy field in particular. Rather, parallel structures seem to emerge with one part of the policy field being organised according to the country's standards, and one part being structured according to Chinese procedures. In some cases, a sort of de facto division of labour also seems to be emerging with China engaging in some sectors (e.g. telecommunications) and the EC and other traditional donors engaging in others (e.g. health).

With regard to political dialogue, it is first interesting to note that in both countries, particularly in Ethiopia, the EC and China to some extent use different entry points and different formats to engage with the regime. While the EU seeks to establish a formal and regular dialogue with government officials at the highest level, pushing governments to discuss on governance issues, Chinese exchange with African governments appears to be more flexible and demand-driven, putting emphasis rather on commonalities than differences. In addition, China engages with parts of the elite that the EC does not engage with, notably the ruling parties. More research, however, is needed to assess the dynamics of these debates and their implications for European engagement with both countries.

China's role as an emerging power in Africa as well as its discourse on 'non-interference' and 'no strings attached' has raised concern in Europe as to what extent Chinese engagement would reduce the effectiveness of European policies of promoting good governance. While Chinese engagement to some extent increases the leeway of the Angolan and Ethiopian government vis-à-vis the EC and other traditional donors, Chinese and the EC's engagement currently do not conflict directly and have few concrete points of contact. The mechanisms of influence would be much more multilayered and less tangible than general public debates indicate.

Overall, difficulties of the EC of promoting good governance in Angola and Ethiopia highlight the EC's difficulties in finding appropriate instruments to promote good governance in African countries. In light of European economic and other interests and problems of coordination between EU member states and the European Commission, the EU faces considerable difficulties in using existing instruments to its full potential. This is most evident in places where the government is obviously not supportive of governance reforms. In these cases dialogue, assistance, and positive and negative conditionality seem to encounter great difficulties, regardless of whether the country is strongly aid dependent (Ethiopia) or not aid dependent at all (Angola).

A major implication of Chinese engagement in Africa for the European Commission's policies of promoting good governance therefore may not be the dragon overshadowing Europe's radiance. Rather, Europe's inherent weaknesses are exposed. Chinese engagement certainly sheds light on the gap between European normative aspirations on the one hand and the effectiveness of concrete EC interventions on the other. While China continues to have the potential to increase in importance as a development partner, the EC will probably be further put under pressure to address problems internal to European good governance instruments.

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Over the next decade, Europe's development policies will have to act on a combination of old and new domestic issues and substantial changes in the global landscape. Change in Europe's internal architecture – with implications for development policy – takes place in times of wide-ranging global shifts, and at a time when questions of European identity loom large in national debates. A key questions is: How will the EU, how will "Brussels" and the member states be working together on common problems? Global challenges include three issues increasingly facing EU's development policy agenda:

- The emergence of new substantial actors in international development,
- The linkage between energy security, democracy and development and
- The impact of climate change on development.

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